

Education Market Update

Industry Specialty Team | May 2024

K-12 Independent School Trends

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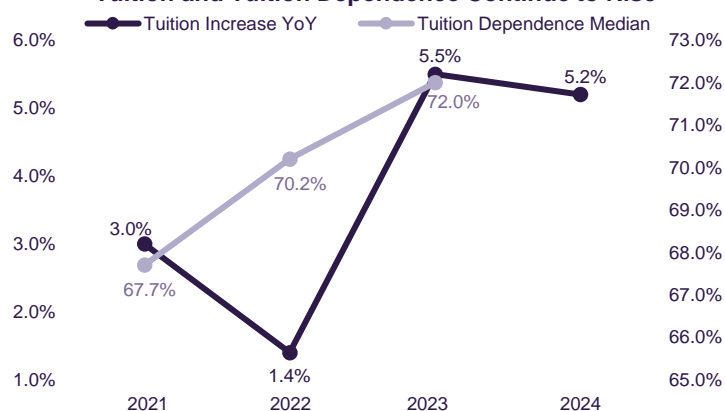
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Tuition Increases 5.2% Year-over-Year

Post-pandemic, independent K-12 schools have become more aggressive with their tuition increases. Despite inflation flattening out, expenses continue to rise increasing the need for strong cost controls and tuition increases. S&P continues to report an increase in year-over-year (YoY) tuition and anticipates that schools will continue to raise tuition around 5% over the next two years. Tuition dependence is also on the rise for the third year in a row, and as this grows demand becomes an increasingly crucial factor for success. To date, schools in S&P's rated universe have not seen negative demand impacts due to the higher tuition increase.

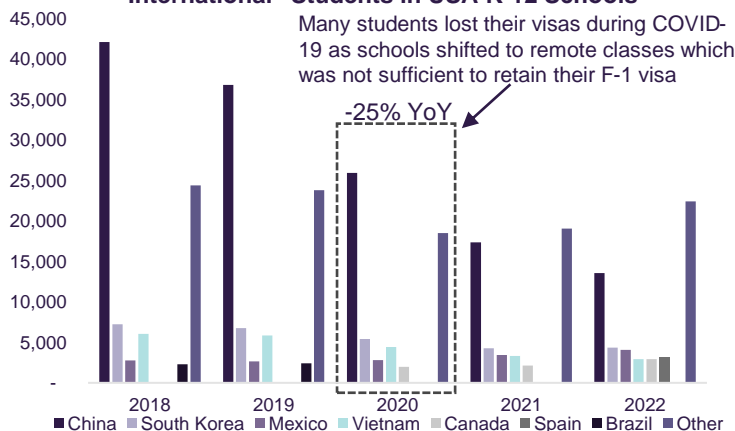
Tuition and Tuition Dependence Continue to Rise



International Enrollment Demographics Shift

Half of independent K-12 schools enroll international students. Of those schools with international students, they comprise 12.2% of the schools' student body, with Chinese students making up the largest percentage. There has been a steady decline in international enrollment since 2018 primarily driven by the decrease of Chinese students, which has dropped on average 24% YoY. Chinese students are now studying in Singapore, Japan, and Hong Kong. There has been an increase in international students from Mexico, Canada, and Spain; however, this is not enough to offset the declining trend over the last three years.

International² Students in USA K-12 Schools



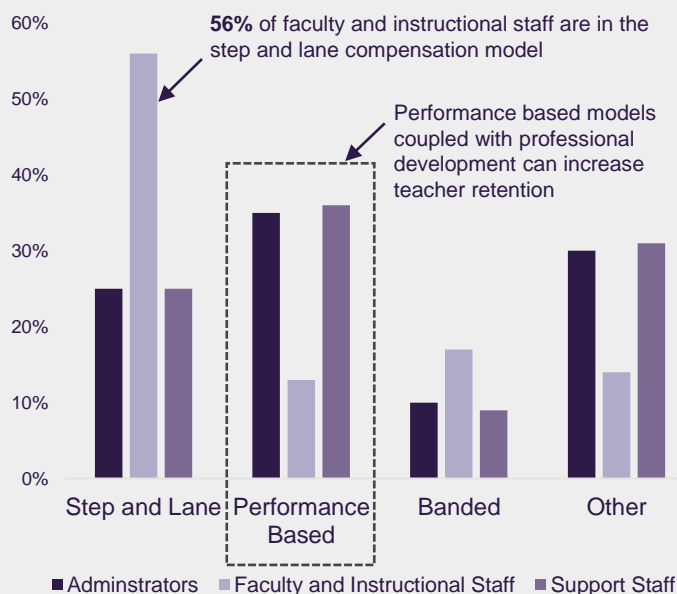
Compensation Models Employed by Schools and Additional Ways to Incentivize Staff

NBOA³ in conjunction with E.E. Ford Foundation released a report studying compensation within independent K-12 schools. The study revealed four main compensation models currently implemented by schools:

- Step and Lane:** Salary increases based on experience and education
- Performance Based:** Salary increases based on merit and consistent performance
- Banded:** Salary increases based on unique criteria set by the school
- Other:** Some schools offer an annual adjustment to compensation through raises, cost of living adjustment, or relative to a benchmark

Employees were divided into three groups, administrators, faculty/instructional staff, and support staff. The report found that **56% of faculty and instructional staff were served by the step and lane** compensation model. It is also noted, that schools who switched from this model to performance based experienced greater pay equity and increased staff performance. National Association of Independent Schools (NAIS) encourages schools to look beyond the salary and see how they can support staff in other ways. NAIS also found that provided benefits varied by group. For example, administrators are more likely to receive professional development than other staff members. Faculty and instructional staff were more likely to receive tuition assistance and support staff received subsidized housing 15x more than other staff members.

Compensation Model by Employee Group



¹DASL: Data and Analysis for School Leadership provided through NAIS: National Association of Independent Schools

²International Students with F-1 Visas. Source: U.S. Immigration and Customs Enforcement, Student and Exchange Visitor Program Annual Reports (2018-2022)

³NBOA: National Business Officers Association

Sources: S&P Global Reports, NAIS, Education Week, USChinaToday.org, NBOA, DASL